

FISCAL NOTE

Bill #: HB0716

Title: Revise education laws

Primary Sponsor: Balyeat, J

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
General Fund	\$6,000	\$2,400
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	(\$6,000)	(\$2,400)

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Commissioner of Higher Education (OCHE)

1. Twenty (20) new students enter the WWAMI program each year. First year medical students reside in Bozeman.
2. Current WWAMI participants are exempted from this bill.
3. Repayment of the state subsidy commences six months after the student terminates participation in the WWAMI program.
4. The OCHE plans on contracting with the Montana Guaranteed Student Loan Program (MGSLP) to track the WWAMI participants. Total expenses in FY 2004 to establish the student accounts, programming to modify existing software, and development of contracts and policies is estimated at \$6,000.
5. Starting in FY 2005, MGSLP would charge a fee of \$60 per student, equating to \$2,400 for the forty students and increase to a maximum charge of \$16,800 for 280 students by year FY 2017.

Fiscal Note Request HB0716, As Introduced
(continued)

FISCAL IMPACT:

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$6,000	\$2,400
<u>Funding of Expenditures:</u>		
General Fund (01)	\$6,000	\$2,400
<u>Revenues:</u>		
General Fund (01)	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$6,000)	(\$2,400)

LONG-RANGE IMPACTS:

Tracking WWAMI recipients will require maintaining information on each participant for a minimum of 14 years. The number of recipients will continue to grow by 20 students per year and will reach an estimated maximum of 280 students in FY 2017.

Under the following scenario, monthly payments over the first year would be \$956 for the first year and \$2,899 for the last year (year 10). In all, at the end of 10 years the student would repay the \$155,859 in principle plus \$59,579 in interest for a total of \$215,438.

Per WWAMI Student		
	Loan Disburse.	Accued Interest
8/1/2003 1st Year	\$ -	
8/1/2004 2nd Year	\$ 56,907	
8/1/2005 3rd Year	\$ 58,440	\$ 2,276
8/1/2006 4th Year	\$ 40,512	\$ 4,705
8/1/2007 Begin Repay	\$ -	\$ 6,960
Total	\$ 155,859	\$ 13,941
Total Loan	\$ 169,800	
Graduated Loan Payments	Per Month	Per Year
Year 1	\$ 956	\$ 11,472
Year 10	\$ 2,899	\$ 34,788

Approximate Annual Payback of WWAMI Funds

20 Students in FY 2008	\$ 229,440
40 Students in FY 2009	\$ 505,512
60 Students in FY 2010	\$ 828,216
80 Students in FY 2011	\$ 1,197,552

Fiscal Note Request HB0716, As Introduced
(continued)

TECHNICAL NOTE:

1. The bill doesn't define where the monthly payments are deposited. WWAMI is 100 percent funded with general fund.
2. Unlike federal student loans, MGSLP does not have the same authority to recover default dollars with these WWAMI repayment obligations since these are state loans, particularly if the recipient is no longer a Montana resident. This would result in increased legal costs for recovery, especially for those borrowers who are non-residents.
3. It is assumed that the rural physicians' incentive program would have to be discontinued as a result of this bill since WWAMI students could not continue to be assessed a fee to support the rural physicians program once the state support is converted to loans; and, the WICHE medical students alone could not fiscally support the rural physicians program.